

HMRC to cut tax claim time by one third

IF YOU have paid too much tax for any reason, you are entitled to claim it back, plus interest. Under current tax rules, you can go back up to six years. However, this time limit may be cut to four years if a bill currently going through parliament is passed.

As an obscure part of the Finance Bill 2008, the proposed reduction has been around for some time. It is only now that it is being more closely examined. In essence it will mean that tax rightfully due to individuals will be cut by 1/3.

The National Audit Office has reported that up to one in five people has an incorrect tax code. Not only this, they estimate that more than £150m tax is overpaid each year.

Cutting the time allowed to make a claim for repayment by 1/3 will approximate to 1/3 of the overpaid tax becoming lost. If £150m each year is overpaid, then £50m will remain in Revenue coffers.

The Revenue claim four years is sufficient to make a refund claim, but according to The Tax Refund Company, who handles more than 250,000 refund claims every year, the volume of claims going back six years shows otherwise. The argument is also somewhat spurious as changing the time limit from four to six years should not materially affect the number of claims, only the amount refunded. Why would the number of claims change? You are as likely to be underpaid for six years as four, and probably no more likely to realise within four years as you are within six.

As if this was not irritating enough, the real kick in the teeth for the taxpayer, is that the Revenue will still be able to go back six years to claim underpaid tax!

If you have neglected to declare some income, then you should be expected to pay, that is a given. But to have one rule for the tax office and

another for individuals – especially what seems to be an arbitrary time limit – is somewhat galling.

The Bill is to be debated in parliament in the next few weeks and it is to be hoped that MPs raise their objections and do not allow it to pass. If it does, it will join the growing list of hidden tax increases.

If you haven't checked whether you are owed a tax refund in the last few years, you should strongly consider using our NO refund – NO fee tax refund service. Provided by The Tax Refund Company, they will check back over the last six years to find any money owed to you. So far, they have recovered in excess of £44,936 for our members. You can either apply on-line at www.taxbuddies.com/pts/badn.htm or request an application form by sending a stamped and self addressed envelope to "The Tax Refund Co, Labyrinth House, 43-47 Middle Hillgate, Stockport, SK1 3DG.